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Reagan, Gorbachev Set Iceland Summit, Underlining U.S. Quest for Arms Pacts

WASHINGTON—In a surprise decision, President Reagan agreed to meet Soviet leader Mikhail Gorbachev in Iceland next week, a move that underscores the U.S. determination to seek new arms control agreements despite recent tensions with Moscow.

Mr. Reagan's acceptance of the Soviet proposal involves some concessions. Pre-

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viously, the president had insisted on meeting Mr. Gorbachev in the U.S. after the November elections. But in his White House announcement of the Oct. 11-12 meeting in Reykjavik, Mr. Reagan made it clear that he's ready to work toward better relations with Moscow after the Kremlin's release of an American reporter.

"I've said for a long time that the chances are better than they've been in many years for reaching some agreement on arms reduction," Mr. Reagan explained.

The plan for the Iceland meeting was announced simultaneously by Mr. Reagan and by Soviet Foreign Minister Eduard Shevardnadze from the United Nations, in conjunction with news that Soviet spy suspect Gennadi Zakharov had pleaded no contest to all three counts of espionage charges filed against him by the U.S. Mr. Zakharov later boarded a jet bound for Moscow.

Orlov's Emigration Cleared

They also announced that the Soviet Union would allow a prominent Soviet dissident, Yuri Orlov, to emigrate. Mr. Orlov is a physicist and human-rights activist who was arrested in 1977. The announcements came the day after the Soviets freed U.S. News & World Report journalist Nicholas Daniloff from his detention in Moscow on espionage charges.

The administration also softened its order that 25 named Soviet U.N. diplomats accused of espionage activities leave the U.S. by yesterday. To head off threatened retaliation by Moscow, the administration extended the deadline by two weeks and is considering withdrawing the demand in certain individual cases.

For its part, the Soviet Union has assured the U.S. that it has reduced the size of its mission from 243 members to 205, less than the 218 the U.S. had demanded by today.

Setting Pace of Talks

Next week's meeting could give Mr. Gorbachev an opportunity to try to set the pace for future arms control negotiations. "The meeting in Iceland could be either the lead-in to a real summit or a way for Gorbachev to get out of coming to the U.S.," says one administration official. "If he likes what he hears, he can move forward; if he doesn't like what he hears, he can blame Reagan for not being interested" in banning tests of nuclear weapons or showing any flexibility on the American Strategic Defense Initiative.

U.S. officials believe that Mr. Gorbachev proposed the meeting to ensure that the two sides could achieve concrete arms agreements that eluded him at the first summit last year in Geneva.

Impact of Daniloff Arrest

Officials also believe the meeting will help Mr. Gorbachev regain the initiative in East-West relations that he lost during the dispute caused by Moscow's arrest of Mr. Daniloff. U.S. officials believe the negative impact of the controversy on Moscow's image was greater than Soviet diplomats had expected.

With the Daniloff case cleared up, Secretary of State George Shultz expressed hope that the Iceland meeting can "move things to the point where . . . we can see the gap closed and the prospect of an agreement." He said the superpower leaders will discuss arms control issues, including possible reductions on medium-range missiles in Europe, regional issues and human rights.

Mr. Shultz expressed hope that Mr. Gorbachev still will come to the U.S. for a summit this year, as agreed to at the first summit in Geneva. But Mr. Shevardnadze wasn't as optimistic. "The trouble is that on the central issues—space and nuclear arms—there has been no progress," he said at his New York news conference.

"The objective of the (Iceland) meeting is to make a direct assessment of the situation and work out some clear instructions. I would say clear directions, designed to achieve some progress . . . at least in some questions relating to nuclear arms, sufficient for obtaining substantive results," the Soviet foreign minister said.

President Reagan's decision to go to Iceland is somewhat of a political gamble. He will be criticized by the right for not holding out for a U.S.-based summit, and some senior officials fear they'll have little

time to properly prepare the president for such an important meeting.

But Republican strategists say the diplomatic initiative could help the GOP retain control of the Senate in the Nov. 4 elections. Thomas Griscom, executive director of the Republican Senatorial Campaign Committee, said, "In off-year elections people look for reasons to vote against the president's party. The economy is in good shape and we've just defused the war-and-peace issue."

More immediately, White House officials hope the environment around a Gorbachev-Reagan meeting also will help them defeat congressional efforts to impose economic sanctions against South Africa. Secretary of State Shultz told 10 Republican senators that they would undercut the president on the eve of his meeting with Mr. Gorbachev if they voted to override his veto of the sanctions.

Test of Reagan Seen

According to East Bloc diplomatic sources, Mr. Gorbachev and his senior advisers requested the meeting to explore reports that Mr. Reagan finally is serious about arms negotiations. They say the Soviet leader sees the meeting as a low-risk way of testing Mr. Reagan's intentions and probing U.S. flexibility.

Former Central Intelligence Agency analyst Arnold Horelick, now at Rand Corp., agrees that Mr. Gorbachev "is trying to determine whether it is wise or safe or desirable for him to come to the U.S." for a more formal summit later. "It is insurance against failure."

Some U.S. officials expect that Mr. Gorbachev will try to put Mr. Reagan on the defensive. "The president said he wouldn't make a deal to get Daniloff back, and he did," one administration official said. "He said he wouldn't let Gorbachev off the hook by agreeing to a summit anywhere but the U.S., and now he has. I wouldn't be surprised if Gorbachev thinks the momentum is on his side," the official explained.

However, U.S. officials say that the short lead time before the meeting means that Mr. Reagan won't be under pressure to produce concrete deals.

The Soviets' primary goal is to block the Strategic Defense Initiative, Mr. Reagan's "Star Wars" plan to shield U.S. forces from attack. But Mr. Gorbachev may be able to come to a U.S. summit if he can get an agreement that cuts medium-range missiles in Europe and if he can get some smaller accords. The Soviet Union has moved closer to the U.S. position on an agreement limiting missiles in Europe, giving the U.S. additional reason to come to Iceland.